Declaration of dividends by Mutual Funds

1127. SHRI VARINDER SINGH BAJWA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a large number of Mutual Funds where small investors have invested for 'Dividends' don't declare dividends for years together, thereby frustrating the aspirations of small investors;

(b) whether the Securities and Exchange Board of India (SEBI) has issued any regulations/ guidelines for the mutual funds for declaring dividends on yearly basis;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) SEBI has informed that 318 out of 566 mutual fund schemes with dividend option have declared dividends during 2007.

(b) to (d) As per SEBI (Mutual Fund) Regulations, 1996, a mutual fund may declare dividends in accordance with the offer document and subject to such Guidelines as may be specified by the SEBI.

Speculation on stock price

1128. SHRI A. VIJAYARAGHAVAN: Will the Minister of FINANCE be pleased to state:

(a) whether the stock holders such as Foreign Institutional Investors (FIIs) have a role in stock price overvaluation;

(b) if so, the details thereof;

(c) whether it is a fact that above may cause more space for speculation;

(d) if so, the details of appropriate cautionary stance taken to control the stock price speculation in the market; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Stock Market is dynamic in nature and the market movement is influenced by demand and supply interplays as well as a host of other factors.

The movement in stock market indices is a function of perception of the economy or a sector or of index stocks. It also depends on economic factors, domestic and international events, market sentiments, level of floating stock available, corporate performance and future economic growth. The stock market capitalizes and present and future values of growth opportunities while evaluating the growth of all sectors in economy.

The FIIs, cannot, therefore, be said to have a role in stock price overvaluation.

(c) to (e) Speculative activities namely jobbing, day-trading and arbitragers are normal features of the Stock Market. By taking a position in the market for the sake of profit the speculators bring to the market better information input and liquidity, thereby enabling the market to play an important economic function of price discovery and risk-management. It